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TAGS: [ECON](#) [EFIN](#) [PREL](#) [EINV](#) [PGOV](#) [VE](#)  
SUBJECT: BRV ENACTS CREDIT CARD LAW

Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b) a  
nd (d).

11. (SBU) SUMMARY: Legislation approved by the National Assembly on September 4, (posited as necessary for public order and social interest) codifies existing regulations and promulgates new ones for the credit card industry in Venezuela. Among its most significant clauses, the law prohibits banks from refusing credit cards to applicants based on questionable credit history and usurps bank freedom to set interest rates, fees and commissions. The latest twist in the ongoing assault on the private sector, this legislation will negatively impact the banking industry. Banks will now forgo the profits normally associated with unsecured consumer credit, such as revenue from annual fees and face higher costs in providing credit card services. Financial institutions have a 90 day grace period in which to comply with the law.

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CHANGES TO CONSUMER CREDIT INDUSTRY  
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12. (SBU) On September 4, the National Assembly (NA) approved a credit cardlaw, the Law of Cards of Credit, Debit, Prepaid and other Financial Cards and Electronic Pay, whichhad been pending before the NA since 2005. The lw incorporated the recommendations of the Executve and Supreme Court regarding these types of fancial instruments and was billed as necessary fr public order and social interest. The law givs banks a 90 day grace period in which to comply wih the new regulations.

13. (SBU) The law make important changes to the relationship between bnks and the credit card holder. First, banks will no longer be permitted to deny credit to any credit card applicant based upon past failure to pay or credit cards. The law does allow banks to reuest a non-mortgage type guarantee from the applicant prior to the extension of credit, perhaps, i an attempt to soften this prohibition. In additon, banks are no longer permitted to charge annual ees nor compound interest.

14. (SBU) The law urther stipulates the relationship between the bnks, the Central Bank of Venezuela (CBV) and theSuperintendent of Banks and Other Financial Instittions (SUDEBAN). The CBV will establish the montly interest rates, surcharges and commission forthe use of credit cards and will publish the feestructure monthly in the official gazette. The cnsumer credit industry will now be regulated by UDEBAN, which will be responsible for authorizing te proper format for credit card pamphlets as wel as authorizing all prizes and promotions offere by the banks.

15. (SBU) In line with the state purpose of the legislation, the law prohibits bsinesses from requiring customers to pay with creit cards. It also prohibits business from discriminating against the credit card user through minium required purchase amounts, the elimination ofdiscounts or exclusion from promotions. Furthermore, banks are required to revamp their existing utomatic Teller Machines (ATMs) to be handicappe accessible and to contain appropriate security ystems.

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COMMENT  
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15. (C) The new law will negatively impact banks involved n the credit card industry as they will receive lss revenue from the business. In addition, bank will face higher costs associated with their crdit business, stemming from the additional regultory requirements and consumer protection clauses. These higher costs, coupled with reduced income, may cause the consumer credit market to shrink as banks

reduce involvement due to uncertain, unpredictable revenues. This legislation is simply the latest in the BRV's ongoing regulation of the banking industry. With little real impact on the consumer, this law is yet another election year tactic, one which the BRV can highlight as part of its ongoing move towards 21st Century Socialism.

DUDDY